

**RULES
OF
THE STATE BOARD OF EDUCATION**

**CHAPTER 0520-14-01
CHARTER SCHOOLS**

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0520-14-01-.03 ALLOCATION OF STATE AND LOCAL FUNDS.

(1) Until the 2023-24 school year, charter school funding shall be governed by the following paragraphs (2) through (11):

~~(2)~~(2) A local board of education shall allocate to each charter school an amount equal to the per student state and local funds received by the LEA and all appropriate allocations under federal laws or regulations.

~~(2)~~(3) Student enrollments used in per pupil calculations shall be based on current year average daily membership (ADM) for the LEA in which the school resides (inclusive of all charter school enrollment). The charter school's allocation shall be calculated by multiplying the per pupil amount by the charter school's current year ADM.

~~(3)~~(4) Allocations to charter schools shall be based on one hundred percent (100%) of state and local funds received by the authorizer, including any current year growth funds received by the authorizer and the required local match for the state funds generated under the Basic Education Program (BEP) for capital outlay (excluding the proceeds of debt obligations and associated debt service).

~~(4)~~(5) The Department of Education shall calculate and report the amount of state funding required under the BEP for capital outlay that each public charter school should receive in a fiscal year. The LEA in which a charter school resides shall include in the per pupil funding amount required under paragraph (1) and state law, all state and local funds generated under the BEP for capital outlay that are due to public charter schools operating in the LEA.

~~(5)~~(6) Allocations to a charter school shall not be reduced by the authorizer for any category of cost(s) except for the annual authorizer fee. If the charter agreement includes a provision whereby the authorizer will provide for employee benefits or retirement, then the authorizer may withhold funds to cover the costs of those services. Any services the charter school chooses to purchase from the authorizer may also exist in a separate services contract between the charter school and the authorizer. However, approval of a separate services contract may shall not be a condition of approval of the charter agreement. If a services contract is executed with the authorizer, then the authorizer may withhold funds to cover the costs of those services.

~~(6)~~(7) Each authorizer shall include as part of its budget submitted pursuant to T.C.A. § 49-2-203, the per pupil amount of local money it will pass through to charter schools during the upcoming school year. Allocations to the charter schools during that year shall be based on that figure. The authorizer shall distribute the portion of local funds it expects to receive in no fewer than nine (9) equal installments to charter schools in the same manner as state funds are distributed. The initial per pupil amount of funding shall be calculated using the number of BEP funded ADMs for the first payments. An authorizer shall adjust payments to its charter schools, at a minimum, in October, February and June, based on changes in revenue, student enrollment, or student services. Beginning with the first such adjustment, and continuing for the remainder of the school year, the authorizer shall use current year enrollment to calculate the adjusted per pupil amount.

~~(7)~~(8) New charter schools or charter schools adding a new grade shall be funded based on anticipated enrollment in the charter agreement. Those figures shall be subsequently adjusted to reflect the actual number of students enrolled.

~~(8)~~(9) Pursuant to T.C.A. § 49-13-124, the authorizer may endorse the submission of the qualified zone academy bond application to the local taxing authority. The authorizer may endorse such a bond application submitted by the charter school governing body, or the authorizer may include the charter school's project as part of the authorizer's bond application.

~~(9)~~(10) If charter schools provide school nutrition programs, they may provide their own programs in compliance with United States Department of Agriculture regulations and State law or they may contract with the authorizer for the provision of school nutrition programs.

~~(10)~~(11) Charter schools that provide transportation in accordance with the provisions of T.C.A. §§ 49-6-2101, et seq., other than through an agreement with the charter authorizer, shall receive the State and local funds generated through the BEP for such transportation.

(12) Beginning in the 2023-24 school year and thereafter, charter school funding shall be governed by the following:

(a) A local board of education shall allocate to each charter school an amount equal to the state and local funds received for each student member enrolled in a charter school by the LEA and all appropriate allocations under federal laws or regulations, including, but not limited to, IDEA and ESEA funds.

1. Pursuant to T.C.A. § 49-13-112(a), federal funds received by the LEA must be disbursed to charter schools authorized by the LEA by either joint agreement on shared services by individual charter schools or sub-grants to charter schools for the charter's equitable share of the federal grant based on eligible students. The allocation must be made in accordance with the policies and procedures developed by the Department.

(b) In determining funding for charter schools, with the exception of initial allocations as detailed in subparagraph (c) below, student enrollments used in the funding calculations described below shall be based on current year average daily membership (ADM) for the LEA in which the school is geographically located (inclusive of all charter school student enrollment).

(c) Initial Allocations

1. The initial allocation from the local board of education to a charter school shall be based on the amount of state and local funding generated for each student enrolled in a charter school during the prior school year for base funding amount, weighted allocation, and direct funding allocations under Tennessee Investment in Student Achievement Act (TISA), T.C.A. § 49-3-101 et seq.

2. In addition, if the LEA receives local funds more than the required local contribution, the local board of education must allocate on a per student basis the average per pupil funding amount of the additional funding to each charter school. The initial per student additional local amount shall be determined by dividing the additional local funds by the prior year ADM of the LEA.

(d) Final Allocations

1. An authorizer shall adjust payments to its charter schools, at a minimum, in October, February, June, and with the completion of final expenditure reports.

based on changes in revenue, student enrollment, or student services. Beginning with the first such adjustment, and continuing for the remainder of the school year, the authorizer shall use current year ADM and student counts, inclusive of new and expanding charter enrollments, to calculate the adjusted allocation for each school. The adjusted payments shall be based on each student's allocation under TISA as detailed below plus a per-pupil amount of the additional local contribution.

2. To determine adjusted allocations due to to each charter school through their authorizer, the Department shall run the TISA formula utilizing current year data on the time periods noted in part 1 above for all LEAs that authorize charter schools. Authorizers may opt to run the formula more frequently in alignment with respective charter agreements.
3. Current year funding adjustments and final allocations to each charter shall include:
 - (i) Any funds generated by students in a charter school for the charter school direct funding component and outcome bonuses based on prior year data. These allocations will not change throughout the year.
 - (ii) Current year data run through the TISA formula to generate updated funding amounts capturing the base funding amount allocations, weighted allocations, direct allocations except for the charter school direct funding component, and any components noted in Subpart (i).
 - (iii) If the LEA receives local funds more than the required local contribution, the local board of education must allocate on a per student basis the average per pupil funding amount of the additional funding to each charter school. The per student additional local amount shall be determined by dividing the additional local funds by the current year ADM of the LEA.

(e) Special Considerations

1. New and Expanding Charter Schools: New charter schools or charter schools adding a new grade(s) shall be funded based on anticipated enrollment in the charter agreement or a projection of enrollment mutually agreed to by the authorizer and charter school not to exceed any enrollment maximums or caps set forth in the charter agreement. The initial funding for the new grade(s) shall be based on a per-student average of all state and local funds received by the LEA. Those figures shall be subsequently adjusted in accordance with subparagraph (d) to reflect the actual number of student members enrolled.
2. Charter School Direct Funding: The charter school direct funding amount each year is subject to an annual appropriation by the Tennessee General Assembly and is calculated by dividing the amount of the appropriation by the statewide charter ADM of the prior year. The authorizer shall distribute the charter direct funding to each charter school as generated by prior year ADM with their other TISA payments. This direct funding amount shall be fully state funded.
3. Fast-Growth Funding Eligibility and Allocations:
 - (i) Charter schools in LEAs that receive fast growth funding under TISA are only eligible for an increase in their charter school direct funding amount if the following criteria are met:

- I. The district in which the charter school is geographically located qualifies for fast growth;
 - II. The fast-growth funding calculation for the district in which the charter school is geographically located results in the district's allocation in the charter school direct funding component increasing due to increased charter school ADM; and
 - III. The charter school's current year ADM is greater than the prior year ADM.
- (ii) The increase in the charter school direct funding allocation to eligible charter schools shall be distributed on a per student basis.
 - (iii) As charter schools are funded on current year data, charter schools are not eligible for fast-growth funding for other components of the state funding formula.
4. Educator Salary Increases: Pursuant to T.C.A. § 49-3-105(e), if the Tennessee General Assembly restricts an amount of an annual increase to the TISA base funding amount for the purpose of providing salary increases to existing educators, then the Department shall determine the proportional share of funds received by each charter school driven by the restricted funds and report that amount to each charter school. Charter schools shall use these funds in alignment with the purposes outlined in T.C.A. § 49-3-105(e).
 5. Cost Differential Factor Grants: Subject to annual appropriations by the Tennessee General Assembly and in accordance with T.C.A. § 49-3-108(d), if an LEA receives a Cost Differential Factor (CDF) grant, then charter schools geographically located within that LEA shall receive a proportional share of the CDF grant. The proportional share shall be based on the percentage calculated by dividing a charter school's generated funding for base funding amount, weighted allocations, and direct allocations by the generated funding for these same components of the LEA as a whole.
 6. Outcomes Funding: If a charter school generates outcome bonus funding as a result of students enrolled in the charter school in the prior year, then the charter school shall receive the respective amount of outcome bonus funds from the authorizer when such funds are awarded by the Department. The Department shall report the amount of outcome bonus funds due to each charter school to the authorizer and to each charter school.
 7. Achievement School District (ASD) and Tennessee Public Charter School Commission (TPCSC): Pursuant to T.C.A. § 49-1-614 and T.C.A. § 49-13-112, the ASD and TPCSC shall receive funding in alignment with this rule for each charter school within their respective LEAs from the LEAs in which each charter school is geographically located.
- (f) Allocations to a charter school shall not be reduced by the authorizer except for the annual authorizer fee. If the charter agreement includes a provision whereby the authorizer will provide for employee benefits or retirement, then the authorizer may withhold funds to cover the costs of those services. Any services the charter school chooses to purchase from the authorizer may also exist in a separate services

contract between the charter school and the authorizer. However, approval of a separate services contract shall not be a condition of approval of the charter agreement. If a services contract is executed with the authorizer, then the authorizer may withhold funds to cover the costs of those services.

- (g) Each authorizer shall include as part of its budget submitted pursuant to T.C.A. § 49-2-203, the per student amount of local money it will pass through to charter schools during the upcoming school year. Allocations to the charter schools during the budgeted school year shall be based on that figure until such time as updated allocations are run pursuant to Paragraph (12)(d) above. The authorizer shall distribute funding in no fewer than nine (9) equal installments to charter schools in the same manner as state funds are distributed.
- (h) Pursuant to T.C.A. § 49-13-124, the authorizer may endorse the submission of the qualified zone academy bond application to the local taxing authority. The authorizer may endorse such a bond application submitted by the charter school governing body, or the authorizer may include the charter school's project as part of the authorizer's bond application.
- (i) If charter schools provide school nutrition programs, they may provide their own programs in compliance with United States Department of Agriculture regulations and State law or they may contract with the authorizer for the provision of school nutrition programs.

Authority: T.C.A. §§ 49-1-302; 49-2-203; 49-6-2101, et seq.; 49-13-112; 49-13-114; 49-13-124; ~~and 49-13-126~~ and Public Chapter 966 of 2022.

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